



Tax Implications of Job Loss

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Q: Is Unemployment Compensation Taxable?



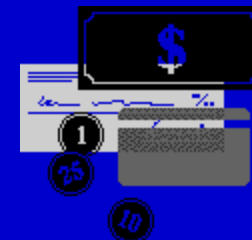
- For 2009, out-of-work Americans may exclude up to \$2,400 of unemployment benefits when reporting income for federal income tax purposes due to the American Recovery and Reinvestment Act of 2009.
- Benefits exceeding that amount will be subject to tax.



Q: Is Severance Pay Taxable?



- Yes, severance pay and payments for accumulated sick time and/or vacation time are considered taxable income.



New! Help with Health Coverage for the Unemployed



- Another provision of the American Recovery and Reinvestment Act of 2009 is a 65% subsidy for COBRA continuation premiums for up to 9 months for workers and their families who have been involuntarily terminated.



Tax Relief for Distressed Homeowners

- Homeowners experiencing “short sales” and cancellation of debt will get an extended break for “debt-forgiveness” tax consequences. Instead of treating cancellation of debt as taxable income on the foreclosure of a principle home, no taxes will be levied on discharges of indebtedness of up to \$2 million dollars for married taxpayers filing jointly and of up to \$1 million dollars for a married taxpayer filing a separate return through tax year 2012 if certain conditions exist.

Q: Can I Deduct My Job-Hunting Expenses?



- Yes, if you are seeking employment in your current field, you may deduct these expenses as miscellaneous deductions on a Schedule A if they exceed 2% of adjusted gross income:
- Employment and out placement agency fees
- Costs of resume printing
- Costs of mailing resumes
- Legal fees related to doing and keeping a job
- Mileage and some travel expenses to and from job interviews

Q: Are Child Care Expenses Deductible?



- Yes, if you must pay for child and dependent care in order to go on job interviews or to work, you may claim up to 35% of these expenses as a credit against your taxes.
- You will need to file **Form 2441**, *Child and Dependent Care Expenses*.



Q: If I Have to Move to Get Another Job, May I Deduct the Moving Expenses?

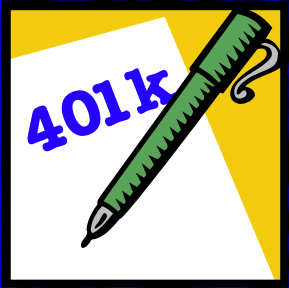


- Yes, if you moved at least 50 miles during 2009 to start work at a new work location, or accept a job in your current field of employment.

Q. Are Withdrawals From My Pension Plan Taxable?



Generally, withdrawals from your pension plan are taxable unless they are transferred to a qualified retirement plan (such as an IRA). If you are under age 59 1/2, an additional tax may apply to the taxable portion of your pension.



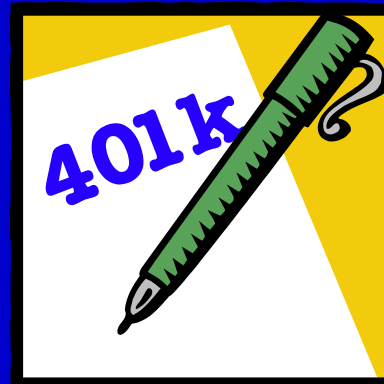
Q. What if I Withdraw Money From My Qualified Retirement Plan or IRA?

- Usually, if you withdraw the funds before you reach the eligible age, and do not roll it over into another qualified retirement plan or IRA within 60 days, that amount will be taxable income in the year in which it is withdrawn. You may also have to pay an additional 10% tax on these early distributions.



Q: Are There Any Hardship Exceptions to the Early Distribution Penalties?

- Yes. If you are totally and permanently disabled, or if you withdraw the money to pay medical expenses which must be more than 7.5% of your adjusted gross income, or to pay an alternate payee under a qualified domestic relations order.





Q: If I Made an IRA Contribution During the Current Tax Year, Can I Withdraw It Before the Close of the Year?

Yes. Contributions returned before the due date of the return can be withdrawn without penalty. You must take not only the contributions, but any interest or dividend it may have earned. This is a tax-free event if:

- You don't take a deduction for the contribution.
- You withdrawn any income or interest the investment made while in the IRA, and include that amount in your income.

Q: Are Food Stamps Taxable?



No. If you are eligible for food stamps or public assistance, neither is taxable.

Q: Are Cash Gifts from Friends and Family Taxable?

Not usually. Generally, the person who receives the gift is not liable for any taxes on the gift. If the gift produces income, like interest, dividends or rent payments, the receiver would be responsible for taxes on the income. Gifts over \$13,000 in 2009 may be subject to a gift tax.



Questions?



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Thank You

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